THE AUSTRALIAN COPPER COMPANY IN BRAZIL

AVANCO COPPER

2017 Annual Results

For the year ended 31 December 2017

27 February 2018

AVANCO
COPPER

Highlights

Excellent safety performance with no lost-time injuries

Increased growth profile

Full year production exceeds upper-end of annualised guidance

Revenue, EBITDA and net profit increases

Maiden profit after tax

Strong free cashflow generation facilitating renewed capital spending focus

Cash position increased to $24.36 million

ASX: AVB, Avanco Resources Limited ("Avanco" or "the Company") announces the 2017 Annual Financial Results for the year ended 31 December 2017.

During the first full year of commercial production Avanco exceeded its production targets for both copper and gold, achieving production of 14,101 tonnes of copper and 11,366 ounces of gold.

The Company achieved sales revenue of $96.35 million, cash inflows from operations of greater than $22 million, with an additional $5.6 million received in January 2018 for December 2017 shipments. The closing cash position increased to $24.36 million after investing $12.70 million in future growth.

	$'000
CASH POSITION - 1 January 2017	**22,866**
Sales receipts net of treatment and refining costs	87,732
Operating costs including administration and corporate	(65,705)
Free cashflow from operations	**22,027**
Royalty payments	(4,150)
Taxes, Interest earned and foreign exchange movements	(1,309)
Sustaining capital expenditure	(2,373)
Development, exploration and evaluation expenditure	(8,499)
Accelerated purchase of CentroGold	(4,200)
TOTAL CASH INCREASE	**1,496**
CASH POSITION - 31 December 2017	**24,362**

Gross Profit of $17.24 million, EBITDA of $23.61 million and a maiden Net Profit After Tax of $2.50 million was achieved on rising copper and gold prices, competitive offtake contracts and the approval of a tax incentive (SUDAM) which aims to promote development in the north of Brazil. This tax incentive reduces Brazilian corporate income tax payable and is effective for a period of 10 years from 1 January 2017.

Avanco's ten years of experience in Brazil has yielded an outstanding growth profile, including; near mine exploration success at Antas with the addition of the Azevedo Prospect; the accelerated 100% purchase of CentroGold and subsequent JORC Resource increases; continued advancement of Pedra Branca studies; and, in January 2018, acquisition of the Pantera Copper Project from Vale.

The Company has a project development pipeline that offers significant diversified growth opportunities in both copper and gold in world class mineralised provinces.

Commenting on the results, Tony Polglase, Managing Director of Avanco said: "*During our first full year of commercial operations we exceeded our production targets while generating strong cashflows. This, together with the copper price hitting a three-year high, resulted in Avanco maintaining a strong balance sheet, an increased EBITDA to $23.61 million and a maiden profit of $2.50 million. The growth profile of the Company exceeded expectations with the accelerated acquisition of CentroGold and, in January 2018, the purchase of the Pantera Copper Project from Vale.*"

All dollar amounts refer to United States Dollar unless otherwise stated.

Summary Financials

The following pages set out the financial accounts and commentary for the year ended 31 December 2017. The full annual report and accounts are available at http://avancoresources.com/investors/asx-announcements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 $'000	31 December 2016 $'000
Gross sales revenue	96,351	59,283
Treatment and refining charges	(6,026)	(4,564)
Net sales revenue	**90,325**	**54,719**
Production costs	(46,234)	(28,523)
Royalties	(2,602)	(1,580)
Transport and freight	(7,740)	(5,112)
Change in stockpile	(2,000)	4,139
Depreciation, amortisation and depletion	(14,506)	(11,417)
Cost of sales	**(73,082)**	**(42,493)**
Gross profit	**17,243**	**12,226**
Expenses		
General and administration	(5,500)	(3,712)
Financial income	181	395
Financial expense	(4,338)	(3,587)
Net foreign exchange (loss)/gain	(58)	16
Impairment of property, plant and equipment	(443)	-
Impairment of exploration projects	-	(1,033)
Net loss on derivatives	(480)	-
Change in financial liability	(179)	(928)
Share-based payments	(510)	(1,786)
Other expenses	(2,582)	(546)
Total expenses	**(13,909)**	**(11,181)**
Profit before income tax	**3,334**	**1,045**
Income tax expense	(834)	(3,707)
Net Profit/(loss) for the year	**2,500**	**(2,662)**
Total comprehensive profit/(loss) for the year	2,500	(2,662)
Profit/(loss) per share attributable to shareholders (cents)	0.10	(0.11)

The profit after tax for the year ended 31 December 2017 was $2.50 million (31 December 2016 loss after tax of $2.66 million). The current year result includes an underlying EBITDA* of $23.61 million (31 December 2016: $19.40 million).

UNDERLYING EBITDA

	31 December 2017 $'000	31 December 2016 $'000
Gross sales revenue	96,351	59,283
Treatment, refining and transport charges	(13,766)	(9,676)
Production costs and changes to stockpile inventories	(48,234)	(24,384)
Sales royalties	(2,602)	(1,580)
Gross profit, before depreciation and amortisation	**31,749**	**23,643**
General, administration and other expenses	(8,082)	(4,258)
Net foreign exchange gain/(loss)	(58)	16
Underlying EBITDA	**23,609**	**19,401**

The underlying EBITDA for the year reconciles to the profit before and after tax as follows:

	31 December 2017 $'000	31 December 2016 $'000
Underlying EBITDA	**23,609**	**19,401**
Financial income	181	395
Financial expense	(4,338)	(3,587)
Depreciation, amortisation and depletion	(14,506)	(11,417)
Impairment of property, plant and equipment	(443)	-
Impairment of exploration projects	-	(1,033)
Change in financial liability	(179)	(928)
Share-based payments	(510)	(1,786)
Net loss on derivative	(480)	-
Profit before tax	**3,334**	**1,045**
Income tax expense	(834)	(3,707)
Net Profit/(loss)	**2,500**	**(2,662)**
Basic Profit/(loss) per share (cents per share)	0.10	(0.11)

** Underlying earnings before interest, taxes, depreciation and amortization (EBITDA) is an unaudited non-IFRS measure and is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and depletion of tangible assets and amortisation of intangible assets.*

The Group recorded a maiden net profit for the year ended 31 December 2017 of $2.50 million, or 0.10 cents per share, in comparison to a net loss for the year ended 31 December 2016 of $2.67 million or 0.11 cents per share.

The Antas Copper Operation recorded a gross profit for the year of $17.24 million (31 December 2016: gross profit of $12.23 million). A total of 13,510 tonnes of payable copper and 10,065 payable ounces of gold (both net of finalisations) were sold during the year, which together with sales finalisations, revaluation of provisional sales and other sales resulted in total sales revenue of $96.35 million. Finalised sales generated net additional revenues of $0.66 million which was offset by revaluation on a fair value basis of unfinalised sales of $1.78 million. Treatment and refining charges associated with the sale of concentrate totalled $6.02 million.

Cost of sales for the year of $73.08 million comprised production costs, sales royalties, transport costs, movement in stockpiles and depreciation charges. The higher cost of sales during the period was mainly due to operational costs reflective of the Company's full year production.

Mining costs during 2017 were impacted by lower productivity in the final quarter, caused by temporary factors including a prolonged outage of the main excavator, poor blast drill availability and the on-boarding of additional mining equipment. In addition, increased diesel taxes imposed by the Brazilian government affected mining and land freight costs.

Processing costs, were impacted by an increase in electricity due to expensive energy tariffs as a result of low water levels in the hydroelectric generators reservoirs. To mitigate the impact of high power costs the Company is currently migrating to a “free market” electricity provider anticipating savings of up to 25%.

Additionally, a management decision to expense unrecoverable indirect state taxes increased some of the key consumable costs such as mill balls, reagents, explosives and diesel.

The Brazilian Real was volatile, strengthening against the US Dollar. This resulted in a negative effect on a number of operating costs as well as domestic freight costs.

Total expenses, represent non-cash expenses relating to: accretion of the effective interest rate of the BlackRock royalty ($3.11 million); accretion of rehabilitation costs ($1.21 million); and the decision to write off redundant equipment amounting to $0.4 million. Other expenses of $2.58 million primarily comprised exploration expenditure incurred on projects not pursued, business development opportunities and indirect taxes.

Current tax expense for the year was $5.96 million. However, this amount was reduced to $3.83 million due to approval of a tax incentive (SUDAM). The tax benefit will be utilised during the first quarter of 2018 when the 2017 income tax return is lodged. This tax incentive reduces Brazilian corporate income tax payable and is effective for a period of 10 years from 1 January 2017. Deferred tax benefit for the year was $2.99 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	31 December 2017 $'000	31 December 2016 $'000
Assets		
Current Assets		
Cash and cash equivalents	24,362	22,866
Trade and other receivables	11,300	7,786
Inventories	7,785	9,032
Derivative asset	11	-
Total Current Assets	**43,458**	**39,684**
Non-Current Assets		
Trade and other receivables	1,583	2,201
Deferred exploration and evaluation expenditure	38,595	21,203
Property, plant and equipment	50,123	61,060
Deferred taxation	2,457	-
Total Non-Current Assets	**92,758**	**84,464**
Total Assets	**136,216**	**124,148**
Liabilities		
Current Liabilities		
Trade and other payables	15,482	10,382
Current tax liability	2,191	2,620
Financial liability	2,984	4,861
Derivative liability	92	-
Total Current Liabilities	**20,749**	**17,863**
Non-current Liabilities		
Trade and other payables	4,272	943
Financial liabilities	10,195	9,182
Provisions	9,551	7,186
Deferred taxation	-	535
Total Non-Current Liabilities	**24,018**	**17,846**
Total Liabilities	**44,767**	**35,709**
Net Assets	**91,449**	**88,439**
Equity		
Issued capital	132,282	132,282
Reserves	(26,585)	(29,243)
Accumulated losses	(14,248)	(14,600)
Total Equity	**91,449**	**88,439**

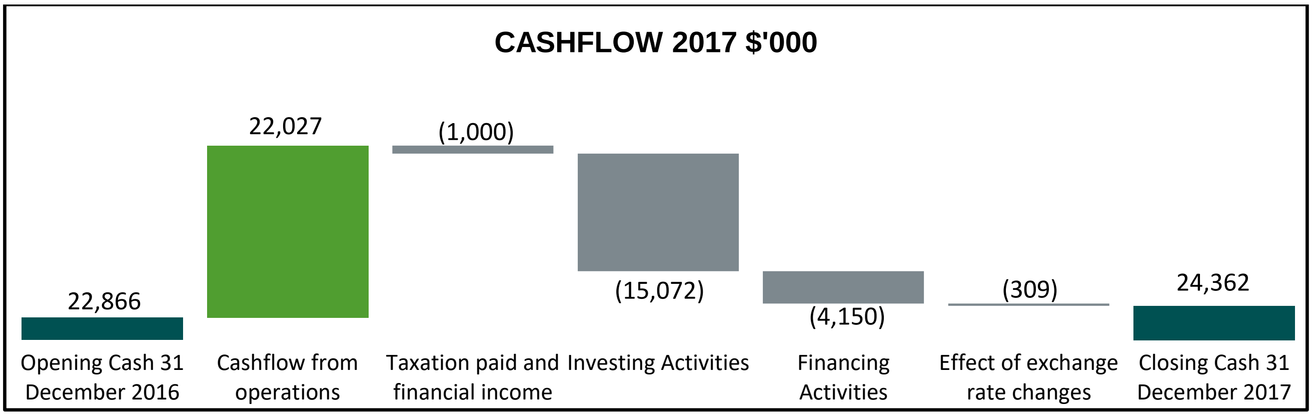
Total assets increased by $12.07 million to $136.22 million at 31 December 2017. During the year, the Company invested in future growth comprising $4.93 million on Pedra Branca which included pre-feasibility study on Pedra Branca East, initial decline box cut and resource drilling on Pedra Branca East and West; $4.20 million on the CentroGold accelerated acquisition and additional $1.95 million on associated resource drilling and scoping study; $1.62 million on expanding life of mine at Antas North, the Azevedo prospect and regional exploration. The Company also invested on mining and plant sustaining capital in excess of $2.37 million including the expansion of the tailing storage facility expected to be completed during the first quarter of 2018.

Total liabilities were $44.77 million, an increase of $9.06 million from 31 December 2016. The increase in total liabilities was driven by an increase in trade and other payables ($8.43 million), as a result of the recognition of deferred contingent consideration in relation to the acquisition of the CentroGold project ($5.0 million) as well as an increase in provision for rehabilitation ($2.36 million). The increase was offset by a decrease in financial liability ($0.86 million), deferred tax liability ($0.53 million) and current tax liability ($0.49 million).

A strong working capital position was maintained with Current Assets exceeding Current Liabilities by $22.8 million (2016: $21.8 million).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 $'000	31 December 2016 $'000
Cash flows from operating activities		
Cash received from customers	87,732	51,859
Payments to suppliers and employees	(65,705)	(39,918)
Cashflow from operations	**22,027**	**11,941**
Taxation paid	(1,181)	-
Financial income received	181	395
Net cash flows from operating activities	**21,027**	**12,336**
Cash flows used in investing activities		
Payments for deferred exploration and evaluation expenditure	(8,499)	(3,181)
Payments for property, plant and equipment	(2,373)	(19,722)
Acquisition of subsidiary	(4,200)	**-**
Net cash used in investing activities	**(15,072)**	**(22,903)**
Cash flows (used in)/provided by financing activities		
Proceeds from royalty agreement	-	4,000
Repayment of royalty agreement	(4,150)	(1,583)
Net cash (used in)/provided by financing activities	**(4,150)**	**2,417**
Net increase/(decrease) in cash and cash equivalents	1,805	(8,150)
Cash and cash equivalents at beginning of period	22,866	31,700
Exchange differences on cash and cash equivalents	(309)	(684)
Cash and cash equivalents at the end of the period	**24,362**	**22,866**



Cash inflows from operating activities for the period were $21.03 million. Cash receipts of $87.73 million reflect the sale of copper in concentrate and associated by-products net of treatment and refining costs. This was offset by cash outflows of $66.70 million driven by operational costs resulting from the Company's full year production and taxes paid.

Net cash outflows used in investing activities for the year were $15.07 million, reflecting sustaining and growth capital on the Antas North plant and open pit. In addition, acquisition of the CentroGold project was accelerated with the Company also funding drilling and study costs at both the Pedra Branca and CentroGold projects.

The net cash used in financing activities of $4.15 million reflects the BlackRock royalty quarterly repayments during the year.

As at 31 December 2017, the Company's cash position had increased to $24.36 million from $22.86 million at the end of December 2016.

Operations

SAFETY

As at the end of 31 December 2017 Antas achieved 2,721,763 man-hours without a lost time accident and the Lost Time Injury Frequency Rate (LTIFR) remains at zero up to the date of the Annual Report. In addition, during February 2018 a major milestone of 3.0 million man hours were achieved without a lost time incident. This reflects an excellent safety and management culture at Antas.

PRODUCTION

The Antas Mine ended the first full year of commercial production exceeding the upper-end of guidance at 14,101 tonnes of copper and 11,366 ounces of gold.

Figure 1: Antas Production Results

		Units	Q4 2017	Q3 2017	Variance	YTD 2017
Mining	Total Material Mined	*t*	**1,647,058**	1,817,512	*-9.4%*	**7,027,085**
	Ore Mined	*t*	**146,791**	175,973	*-16.6%*	**642,366**
	Copper Grade	*%*	**1.98**	2.11	*-6.2%*	**1.98**
	Gold Grade	*g/t*	**0.56**	0.52	*+7.7%*	**0.52**
Processing	Tonnes Processed	*t*	**174,878**	194,210	*-10.0%*	**708,113**
	Copper Grade	*%*	**1.95**	1.94	*+0.5%*	**2.05**
	Gold Grade	*g/t*	**0.54**	0.60	*-10.0%*	**0.60**
	Copper Recovery	*%*	**97**	98	*-1.0%*	**97**
	Gold Recovery	*%*	**81**	84	*-3.6%*	**83**
Production	Concentrate	*DMT*	**12,040**	13,499	*-10.8%*	**50,827**
	Contained Copper	*t*	**3,309**	3,698	*-10.5%*	**14,101**
	Contained Gold	*oz*	**2,479**	3,142	*-21.1%*	**11,366**
	Concentrate Copper Grade	*%*	**27.48**	27.39	*0.3%*	**27.75**
	Concentrate Gold Grade	*g/t*	**6.40**	7.24	*+11.6%*	**6.96**

Figure 2: Production Costs

		Units	Q4 2017	Q3 2017	Variance	FY 2017
Payable Copper Production		*'000lbs*	**7,043**	7,855	*-10.3%*	29,980
Payable Copper Sold		*'000lbs*	**7,597**	7,569	*+0.4%*	30,021
Production Costs	Mining Cost	*$/lb*	**1.13**	0.98	*+15.3%*	1.00
	Processing Cost	*$/lb*	**0.51**	0.39	*+30.8%*	0.41
	Administration Cost	*$/lb*	**0.17**	0.16	*+6.3%*	0.13
	Subtotal	***$/lb***	**1.81**	1.53	*+18.3%*	**1.54**
Selling Costs	Freight and Expediting	*$/lb*	**0.28**	0.26	*+7.7%*	0.27
	Gold Credits	*$/lb*	**(0.43)**	(0.44)	*-2.3%*	(0.43)
	Smelter Charges	*$/lb*	**0.19**	0.18	*+5.6%*	0.19
	Subtotal	***$/lb***	**0.04**	-	*+100%*	0.03
Cash Operating Costs		***$/lb***	**1.85**	1.53	*+20.9%*	**1.57**
Movement Stockpiles		*$/lb*	**0.20**	0.04	*+400.0%*	0.07
C1 Cash Costs*		***$/lb***	**2.05**	1.57	*+30.6%*	**1.64**
All in Sustaining Cash Costs**		***$/lb***	**2.24**	1.78	*+25.8%*	***1.94***
Average USD/BRL		*USD:BRL*	**3.25**	3.16	*+2.8%*	3.19

**C1 cash costs are calculated per payable pound of copper produced and adjusted for inventory movements during the period. Mining costs include the full cost of all waste mined during the period.*

***AISCC is calculated per payable pound of copper sold, net of finalisation sales and adjusted for concentrate inventory movements during the period.*

Corporate

The Company moved towards greater board independence with the appointment of Mr Paul Chapman as a new Independent Non-Executive Director during the year. Mr Colin Jones, Founding Director and Independent Non-Executive Chairman, resigned at the end of August 2017.

During May 2017, the Company's ASX classification changed from a 'mining exploration company' to a 'mining producing company' with immediate effect, marking a step change in the Company's progress.

Following the accelerated acquisition of CentroGold in October 2017 and the option to acquire a 100% interest in Pantera announced in January 2018, Avanco now has a project development pipeline that offers significant diversified growth opportunities in both copper and gold. The Board is currently reviewing all the development and growth opportunities and plans to update shareholders with an enhanced strategic plan during the first quarter of 2018.

TONY POLGLASE
MANAGING DIRECTOR

Financial numbers, unless stated as final, are provisional and subject to change when final grades, weight and pricing are agreed under the terms of the offtake agreement. Figures in this announcement may not sum due to rounding. All dollar amounts in this report refer to United States Dollar unless otherwise stated.

About Avanco

Avanco is a progressive Australian ASX-quoted copper mining company in the world class mineral province of Carajás in Brazil. Antas, the Company’s initial mine celebrated its first production year anniversary in July 2017. Antas demonstrates the Company’s ability to create value at every stage, from exploration discovery through to commercial production. In the near-term, we have clear plans to add to our operating Antas Mine through the development of the Pedra Branca Project to achieve the Company’s mission to be a mid-tier copper producer. The Company is also advancing the CentroGold Project, exploring a large portfolio of tenements whilst seeking opportunities **such as the recent acquisition of the Pantera Copper Project** for further growth potential.

THE AUSTRALIAN COPPER COMPANY IN BRAZIL

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